

The Economic Recovery and Remedies: Are Bolder Measures Needed?

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Women's Economic Round Table
NYC*

The Women's Economic Roundtable was founded in 1978 by Maria Wolfe and Dr. Amelia Augustus in memory of the economist Sidney E. Rolfe. Its mission is to feature women experts to educate the public on issues of business, finance, and economics. The Women's Economic Round Table is now part of the Knight-Bagehot Fellowship Program in Economics and Business located at Columbia University.

On September 21, 2009, the Women's Economic Round Table hosted its first forum to date comprised solely of women experts. Their event convened top economic experts from government, corporate, academic, and non-profit sectors at the City University Graduate School of Journalism to examine the economic recovery and whether or not bolder measures are needed to pull the U.S. out of the current recession.

Speaking from her perspective as First Vice President at the Federal Reserve Bank of New York, Christine Cumming termed all the measures that have been taken so far as "bold." When crafting a fiscal policy response, policymakers were told to "think larger than they've ever thought before." The debate was never about whether or not to create a large stimulus bill but rather what form the stimulus should come in (spending vs. tax cuts) and the timing. In monetary spending, the government also stepped bold, expanding the balance sheet, bringing interest rates down, and lending to entities they had not lent to previously—such as AIG. There was also direct intervention in the financial sector with the Troubled Asset Relief Program (TARP) and Supervisory Capital Assessment Program (SCAPs) that sent examiners into the top 19 banking companies to see if their capital was adequate.

The other panelists commended these efforts but felt that more work must be done. Thea Lee, Policy Director of the AFL-CIO said that the "American Recovery and Reinvestment Act was a step in the right direction and is working, but more is needed." Barbara Krumsiek seconded Lee's conclusion that the stimulus is working but also cautioned that there will be a gap between the stimulus money running out and a full recovery coming into effect. Jane D'Arista, an analyst at the University of Massachusetts's Political Economy Research Institute, said policymakers need to start crafting the next stimulus package now since such measures take time to pull together, pass, and take effect.

To pull the U.S. out of its current recession and into a full recovery, the panelists agreed on three urgent measures: greater transparency, stricter regulation, and reigning in the financial sector.

There was much discussion about the competition between the financial sector and the “real” economy. “The finance sector has overshadowed the real economy instead of being a servant of the economy,” said Lee. A manifestation of this switch in power is the concept of a “jobless recovery” which indicates that the economy will recover but working people will not. Due to the maldistribution of the economy, economic growth and recovery is limited to the top earners and not reaching median to low-income families. For instance, in 2005—a year of economic growth—90% of Americans saw their income fall. Furthermore, when the current recession began in late 2007, median incomes had not yet recovered from the previous recession. The panelists suggested that if the U.S. economy is not better balanced and the financial sector reigned in, we will likely face another recession down the road.

As the current recession has taken the U.S. into uncharted territory, the panelists said they were unsure what the economic recovery will look like. They all seemed to agree, however, that a recovery will be meaningless if it is jobless. “We can’t have a recovery without jobs and wages,” Lee said. “We will have a shallow and short recovery if we don’t have a balanced recovery.”

To achieve a balanced recovery, the panelists had several suggestions. Barbara Krumsiek, President and CEO of Calvert Group, advocated reshaping corporate culture so that it is based on trust and transparency. She emphasized the importance of diversity in fighting ‘*group think*’ and promoting responsible business endeavors as well as furthering equity. D’Arista called for greater attention to the role of pensions and the need for worker portability. “Stop insuring *things* and insure people,” she said.

On the road to recovery, the U.S. government and the global market will be key players. As Lee pointed out, “the government is the only player who can spend us out of a recession.” D’Arista insisted that the government must invest in infrastructure. And Cumming posited that fiscal stimulus plans in other countries—particularly in emerging markets—helped cushion the global dimensions of the crisis and may help pull the U.S. economy out of its recession.